Indigenous-led Clean Fuels Program

April 18, 2022

The Minister of Natural Resources launched a call for proposals for Indigenous-led Clean Fuels Program projects on February 11, 2022 to help build new or expand existing clean fuel production capacity in Canada (the Program).

Available funding

The Program, part of the broader $1.5 billion Clean Fuels Fund, provides funding for clean fuels projects up to the following thresholds:

Feasibility assessment:

75 per cent funding available up to max of $5M which includes feasibility studies and front-end engineering design studies new facilities, facility expansions or facility conversions, including feasibility studies to assess the techno-economic feasibility of blending hydrogen into natural gas systems would be eligible.

Production projects:

<50 per cent funding available up to max of $150M, which includes the expansion or conversion of existing facilities, and buildout of new clean fuel production capacities/facilities.

Eligible fuel types

The Program eligible fuel list is non-exhaustive and expressly identifies:

- hydrogen;
- ethanol and renewable diesel;
- co-processing of biocrude;
- sustainable aviation fuel;
- synthetic fuel;
- renewable natural gas; and
- methanol and ammonia.

Minimum production capacity thresholds

The Program targets commercial-scale projects in advanced states of technological readiness. As such, the Program has set a minimum production capacity threshold for liquid fuel facilities, renewable natural gas and hydrogen facilities eligible for both production and feasibility projects:

- 15 million liters (ML) per year for liquid clean fuels (including methanol);
- 30,000 gigajoules (GJ) per year for renewable natural gas;
- 30,000 gigajoules (GJ) per year for hydrogen from biomass gasification;
- 500,000 gigajoules (GJ) per year for hydrogen from natural gas, or petroleum, with carbon abatement; and
- 1MW of installed capacity for hydrogen produced using electrolysers.

Maximum carbon intensity:

The eligibility of clean fuel types supported under the Program will depend on the fuel's life cycle carbon intensity. The Program defines an eligible clean fuel as follows:

- Carbon intensity of eligible **liquid** clean fuels must be equal to or below 50 gCO2e/MJ.
- Carbon intensity of eligible **gaseous** clean fuels must be equal to or below 36 gCO2e/MJ.

Priorities under the Clean Fuels Fund

The Program reaffirms the broader priorities under the Clean Fuels Fund:

- increased domestic clean fuel production capacity, supporting jobs in Canada and reducing reliance on imports;
- increased utilization of sustainable Canadian biomass feedstocks;
- increased competitiveness of Canadian clean fuel and biomass feedstock suppliers;
- greenhouse gas reductions;
- increased compliance flexibility for regulated parties under federal regulations (for example, Output-Based Carbon Pricing System Regulations, Clean Fuel Regulations); and
- delivery of early actions outlined in the *Hydrogen Strategy for Canada*.

Key emissions priority – replace diesel

As the Program promotes emissions reductions as a founding goal, reference to the March 2022 federal *Emissions Reduction Plan* (ERP) identifies priorities which will be reflected in the Program decision-making, include a key goal of replacing existing fossil-based fuels, such as diesel, with low-carbon alternatives:

Reduced reliance on diesel in remote and Indigenous communities - Over 200 remote communities in Canada are reliant on diesel for electricity and heat. These communities consume on average 680 million litres of diesel fuel every year. The Government of

Canada is currently supporting more than 160 renewable energy and capacity building projects across Canada.

The Government is investing an additional $300 million over five years to ensure that rural, remote and Indigenous communities that currently rely on diesel have the opportunity to be powered by clean, reliable energy. The transition will help advance reconciliation, Indigenous-led climate action and support local economic development and jobs while reducing pollution. [p. 41]

Eligible applicants and projects

Eligible applicants for the Program include Indigenous organizations or registered Indigenous businesses or communities including not-for-profit and for-profit organizations that can demonstrate a minimum of 50 per cent Indigenous ownership. Such applicants can include:

- Indigenous communities;
- development corporations;
- electricity or gas utilities;
- private sector companies;
- industry associations;
- research associations;
- standards development organizations; and
- academic institutions.

Project completion deadline

The Project completion deadline under the Program is March 31, 2026 for each of the following:

- Feasibility projects must be completed.
- Production projects must demonstrate an official commissioning date.
- End-to-end projects must demonstrate an official commissioning date for the production facility build-out project.

There is no deadline for submitting applications to the fund; NRCAN will accept applications until funding is no longer available.

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